

Where are you on your journey
from *Good to Great*?

Good to Great™ Diagnostic Tool
Developed by Jim Collins

Individual Worksheet Packet
Release Version 1.00

TERMS OF USE FOR GOOD TO GREAT™ DIAGNOSTIC TOOL

Consent to Terms

Your use of the Good to Great™ Diagnostic Tool (the "Diagnostic Tool") is subject to these Terms of Use ("Terms"). Please read them carefully. By using the Diagnostic Tool, you agree to be bound by these Terms. If you do not agree with, or cannot abide by these Terms, please do not make any use of the Diagnostic Tool. These Terms may be modified at any time at our discretion by posting the modified Terms on the Jim Collins web site. Use after posting will constitute your agreement to abide by the modified Terms.

Copyrights

The content of the Diagnostic Tool is protected by U.S. and international copyright laws. You may use, reproduce, distribute, transmit, or display any copyrighted material only within the Terms. Derivative works may not be made. You may download, print and copy the Diagnostic Tool for your personal (including intra-company), non-commercial use only, provided that you include all copyright and other notices contained in the Diagnostic Tool and that you do not modify the Diagnostic Tool. Any other use of the Diagnostic Tool is expressly prohibited.

DISCLAIMER

THE DIAGNOSTIC TOOL IS PROVIDED ON AN "AS IS" AND "AS AVAILABLE" BASIS, WITHOUT ANY WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF TITLE OR IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. NO WARRANTIES ARE MADE REGARDING ANY RESULTS THAT MAY BE OBTAINED FROM USE OF THE DIAGNOSTIC TOOL.

LIMITATION OF LIABILITY

IN NO EVENT WILL JIM COLLINS, HIS OFFICERS, EMPLOYEES OR AGENTS BE LIABLE FOR ANY INDIRECT, CONSEQUENTIAL, SPECIAL, INCIDENTAL OR PUNITIVE DAMAGES, ARISING OUT OF THE USE OR INABILITY TO USE THE DIAGNOSTIC TOOL OR ANY RESULTS OBTAINED FROM USE OF THE DIAGNOSTIC TOOL. IN NO EVENT WILL JIM COLLINS, HIS OFFICERS, EMPLOYEES OR AGENTS BE LIABLE FOR ANY AMOUNT IN EXCESS OF \$100.

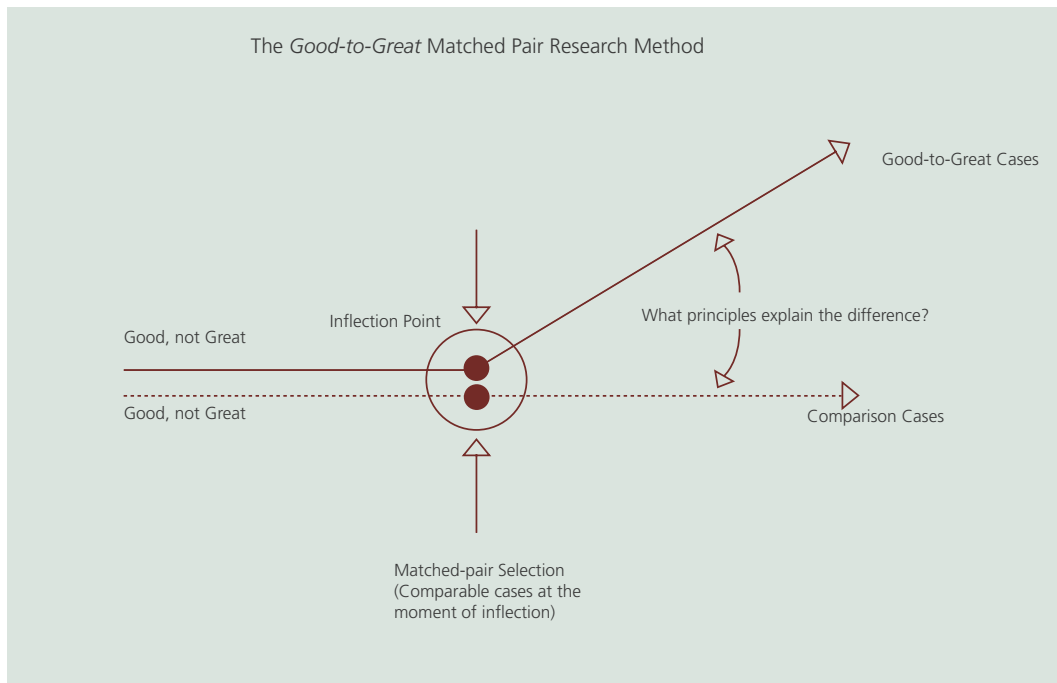
Miscellaneous

These Terms represent the entire understanding of the parties regarding the use of the Diagnostic Tool and supersede any previous documents, correspondence, conversations, or other oral or written understanding related to these Terms of Use. These Terms shall be governed by and construed under the laws of the State of Colorado without regard to its choice of law, rules, and, where applicable, the laws of the United States. To the extent permissible by law, any disputes under these Terms of Use or relating to the Diagnostic Tool shall be litigated in the District Court in and for the District of Colorado, and you hereby consent to personal jurisdiction and venue in the District of Colorado. A modification or waiver of a part of these Terms of Use shall not constitute a waiver or modification of any other portion of the Terms of Use. If for any reason any provision of these Terms of Use is found unenforceable, that provision will be enforced to the maximum extent permissible, and the remainder of the Terms of Use will continue in full force and effect.

OVERVIEW OF THE *GOOD TO GREAT*™ FRAMEWORK

A great organization is one that makes a distinctive impact and delivers superior performance over a long period of time. For a business, performance principally means financial results, specifically return on invested capital. For a social sector organization, on the other hand, performance must be assessed first and foremost relative to the organization's mission, not its financial results. Notice that by this definition that you do not need to be big to be great. Your distinctive impact can be on a local or small community, and your performance can be superior and long-lasting without becoming large. You might choose to grow in order to have a wider impact and to better deliver on your mission, but it is important to understand that big does not equal great, and great does not equal big.

We derived these principles from a matched-pair research method, wherein we systematically analyzed companies that attained greatness during a particular phase of their histories in contrast to carefully selected comparison companies—companies facing nearly identical circumstances—that failed to attain greatness during the exact same historical eras.



THE GOOD TO GREAT™ FRAMEWORK

The key is to recognize that the good-to-great principles are not a definition of greatness, but rather they represent a series of principles for how to achieve greatness; they are input variables, not output variables. The first step in your never-ending journey from good to great is to be clear on the two sides of the diagram below, rigorously implementing the left side of the page and rigorously assessing your results on the right side of the page.

BY APPLYING THE GOOD TO GREAT™ FRAMEWORK YOU BUILD THE FOUNDATIONS OF A GREAT ORGANIZATION



* See a summary of the concept definitions on the next page for a brief definition of each concept.

** The principles in Stages 1-3 derive from research for the book *Good to Great* by Jim Collins; the principles in Stage 4 derive from the book *Built to Last* by Jim Collins and Jerry I. Porras.

GOOD TO GREAT™ CONCEPT SUMMARY

Our research shows that building a great organization proceeds in four basic stages; each stage consists of two fundamental principles:

STAGE 1: DISCIPLINED PEOPLE

Level 5 Leadership. Level 5 leaders are ambitious first and foremost for the cause, the organization, the work—not themselves—and they have the fierce resolve to do whatever it takes to make good on that ambition. A Level 5 leader displays a paradoxical blend of personal humility and professional will.

First Who ... Then What. Those who build great organizations make sure they have the right people on the bus, the wrong people off the bus, and the right people in the key seats before they figure out where to drive the bus. They always think first about “who” and then about what.

STAGE 2: DISCIPLINED THOUGHT

Confront the Brutal Facts—the Stockdale Paradox. Retain unwavering faith that you can and will prevail in the end, regardless of the difficulties, AND AT THE SAME TIME have the discipline to confront the most brutal facts of your current reality, whatever they might be.

The Hedgehog Concept. Greatness comes about by a series of good decisions consistent with a simple, coherent concept—a “Hedgehog Concept.” The Hedgehog Concept is an operating model that reflects understanding of three intersecting circles: what you can be the best in the world at, what you are deeply passionate about, and what best drives your economic or resource engine.

STAGE 3: DISCIPLINED ACTION

Culture of Discipline. Disciplined people who engage in disciplined thought and who take disciplined action—operating with freedom within a framework of responsibilities—this is the cornerstone of a culture that creates greatness. In a culture of discipline, people do not have “jobs;” they have responsibilities.

The Flywheel. In building greatness, there is no single defining action, no grand program, no one killer innovation, no solitary lucky break, no miracle moment. Rather, the process resembles relentlessly pushing a giant heavy flywheel in one direction, turn upon turn, building momentum until a point of breakthrough, and beyond.

STAGE 4: BUILDING GREATNESS TO LAST

Clock Building, Not Time Telling. Build an organization that can adapt through multiple generations of leaders; the exact opposite of being built around a single great leader, great idea or specific program. Build catalytic mechanisms to stimulate progress, rather than acting as a charismatic force of personality to drive progress.

Preserve the Core and Stimulate Progress. Adherence to core values combined with a willingness to challenge and change everything except those core values—keeping clear the distinction between “what we stand for” (which should never change) and “how we do things” (which should never stop changing). Great companies have a purpose—a reason for being—that goes far beyond just making money, and they translate this purpose into BHAGs (Big Hairy Audacious Goals) to stimulate progress.

Individual Worksheets

Good to Great™ Diagnostic Tool
Developed by Jim Collins

LEVEL 5 LEADERSHIP

Level 5 Leadership has two primary components:

- 1) Put Level 5 leaders in the most powerful seats.
- 2) Create a Level 5 leadership culture.

Grade Range:

A= We exemplify this trait exceptionally well—there is limited room for improvement.

B= We often exemplify this trait, but we also have room for improvement.

C= We show some evidence of this trait, but our record is spotty.

D= There is little evidence that we exemplify this trait, and we have obvious contradictions.

F= We operate almost entirely contrary to this trait.

| Level 5 Leadership—Diagnostic, Part 1: <i>Put Level 5 leaders in the most powerful seats.</i> | Grade: (A, B, C, D, F) |
|--|---------------------------|
| The leaders who sit in the most powerful seats in our organization are ambitious first and foremost for the cause, the organization, the work—not themselves—and they have an iron will to do whatever it takes to make good on that ambition. | |
| The leaders who sit in the most powerful seats in our organization display an ever-improving track record of making Level 5 decisions—decisions that prove best for the long-term greatness of the company and its work. | |
| The leaders who sit in the most powerful seats in our organization practice the window and the mirror. They point out the window to people and factors other than themselves to give credit for success. When confronted with failures, they look in the mirror and say, “I am responsible.” | |
| While some members of the leadership team might be charismatic, this is not the primary source of their effectiveness. They inspire others primarily via inspired standards—excellence, hard work, sacrifice, and integrity—not with an inspiring public persona. | |

| Level 5 Leadership—Diagnostic, Part 2: <i>Create a Level 5 leadership culture.</i> | Grade: (A, B, C, D, F) |
|--|---------------------------|
| Our culture values substance over style, integrity over personality, and results over intentions. | |
| Members of our leadership team dialogue and debate in search of the best answer (not for the sake of looking smart or winning a point) up until the point of decision. | |
| Once a decision is made, members of the team unify behind the decision to ensure success—even those who disagreed with the decision. | |
| We cultivate leaders who have all five levels in the Level 5 hierarchy, as laid out in <i>Good to Great</i> : highly capable individuals, strong contributing team members, competent managers, effective leaders, and Level 5 executives. | |

FIRST WHO, THEN WHAT

First Who has four primary components:

- 1) Get the right people on the bus.
- 2) Get the right people in the right seats.
- 3) Get the wrong people off the bus.
- 4) Put who before what.

Grade Range:

A = We exemplify this trait exceptionally well—there is limited room for improvement.

B = We often exemplify this trait, but we also have room for improvement.

C = We show some evidence of this trait, but our record is spotty.

D = There is little evidence that we exemplify this trait, and we have obvious contradictions.

F = We operate almost entirely contrary to this trait.

| First Who—Diagnostic, Part 1: <i>Get the right people on the bus.</i> | Grade: (A, B, C, D, F) |
|--|---------------------------|
| We are rigorous in our selection process for getting new people on the bus. | |
| We invest substantial time in evaluating each candidate, making systematic use of at least three evaluation devices, e.g., interviews, references, examination of background, meeting members of the family, testing. | |
| When in doubt, we do not bring the person on the bus; we have the discipline to let a seat go unfilled—taking on extra work as needed—until we have found the right person. If we are in a “tenure” system, we do not grant tenure unless we are 100% certain the individual is an exceptional permanent member. | |
| We do an exceptional job of retaining the right people on the bus; we perpetuate our good decisions for a very long time. | |

| First Who—Diagnostic, Part 2: <i>Get the right people in the right seats.</i> | Grade: (A, B, C, D, F) |
|--|---------------------------|
| We have 100% of the key seats on the bus filled with the right people. This doesn’t mean 100% of ALL seats have the right people, but 100% of the key seats. (Note: this will likely provoke discussion as to what are the key seats.) | |
| When we think we have a potential “wrong who,” we first give the person the benefit of the doubt that perhaps we have just put him or her in the wrong seat. | |
| Whenever possible, we give a person the chance to prove himself or herself in a different seat, before we draw the conclusion that he or she is a wrong person on the bus. | |

| First Who—Diagnostic, Part 3: <i>Get the wrong people off the bus.</i> | Grade: (A, B, C, D, F) |
|--|---------------------------|
| When we know we need to make a people change—after we have given the individual full opportunity to demonstrate that he or she might be the right person—we deal with the issue. | |
| When we correct a people selection mistake, we are rigorous in the decision, but not ruthless in the implementation. We help people exit with dignity and grace so that, later, the vast majority of people who have left our bus have positive feelings about our organization. | |
| We autopsy our hiring mistakes, applying the lessons systematically to future hiring decisions. | |

FIRST WHO, THEN WHAT CONTINUED

| <p>First Who—Diagnostic, Part 4: <i>Put who before what.</i></p> | <p>Grade: (A, B, C, D, F)</p> |
|--|-----------------------------------|
| <p>When confronted with any problem or opportunity, our natural habit is to translate the decision from a “what” question (“what should we do?”) into a “who” decision (“who would be the right person to take responsibility for this?”).</p> | |
| <p>A significant portion of our time is spent in one form or another with people decisions: getting the right people on the bus, getting the right people in the right seats, getting the wrong people off the bus, developing people into bigger seats, planning for succession, etc.</p> | |
| <p>We have a disciplined, systematic process for improving our success at getting the right people on the bus.</p> | |
| <p>With each passing year, the percentage of people decisions that turn out good versus bad continues to rise.</p> | |

CONFRONT THE BRUTAL FACTS

Confront the Brutal Facts has three primary components:

- 1) Create a climate where the truth is heard.
- 2) Get the data.
- 3) Embrace the Stockdale Paradox.

Grade Range:

A = We exemplify this trait exceptionally well—there is limited room for improvement.

B = We often exemplify this trait, but we also have room for improvement.

C = We show some evidence of this trait, but our record is spotty.

D = There is little evidence that we exemplify this trait, and we have obvious contradictions.

F = We operate almost entirely contrary to this trait.

| | |
|--|----------------------------------|
| Confront the Brutal Facts, Part 1: <i>Create a climate where the truth is heard.</i> | Grade: (A, B, C, D, F) |
| When things go wrong, we conduct “autopsies without blame”—we seek to understand underlying root causes, rather than pin the blame on an individual. | |
| Our leaders ask a lot of questions, rather than just making statements, thereby creating a climate of vibrant dialogue and debate about the brutal facts. | |
| Our leaders do not allow their charisma or force of personality to inhibit people from bringing forth the brutal facts—even if those brutal facts run contrary to the views held by those leaders. | |
| People in our culture are never penalized for bringing forth the brutal facts. | |

| | |
|---|----------------------------------|
| Confront the Brutal Facts, Part 2: <i>Get the data.</i> | Grade: (A, B, C, D, F) |
| We make excellent use of data, metrics and hard tangible evidence to assess external threats and internal weakness. | |
| We make particularly good use of trend lines (to see where we are declining) and comparative statistics (to see where we are falling behind others) to discover and highlight brutal facts. | |
| When people advance a point of view or make an argument, we expect them to marshal evidence, facts, and rigorous thinking to back up their argument. “It is my opinion” does not qualify as an acceptable argument. | |
| When someone has a gut instinct that “something is just wrong,” we pay attention; instincts can be good early warning systems. But we don’t just stop there: we then conduct a disciplined, fact-based assessment of the situation. | |

| | |
|--|----------------------------------|
| Confront the Brutal Facts, Part 3: <i>Embrace the Stockdale Paradox.</i> | Grade: (A, B, C, D, F) |
| When facing difficult times, we never hold out false hopes soon to be swept away by events. | |
| We are not unrealistic optimists who die of a broken heart when our belief that “it will be better tomorrow” gets continually shattered on the rocks of reality. | |
| Despite whatever brutal facts we face, we have an unwavering faith that we can and will prevail in the end. | |
| We believe that greatness is not primarily a function of circumstance; it is a first and foremost a function of conscious choice—and discipline. It is up to us. | |

THE HEDGEHOG CONCEPT

The Hedgehog Concept has three primary components:

- 1) Keep it simple—be a hedgehog, not a fox.
- 2) Get your three circles right.
- 3) Act with understanding, not bravado.

Grade Range:

A = We exemplify this trait exceptionally well—there is limited room for improvement.

B = We often exemplify this trait, but we also have room for improvement.

C = We show some evidence of this trait, but our record is spotty.

D = There is little evidence that we exemplify this trait, and we have obvious contradictions.

F = We operate almost entirely contrary to this trait.

| | |
|---|--|
| <p>The Hedgehog Concept, Part 1: <i>Keep it simple—be a hedgehog, not a fox.</i></p> | <p>Grade: (A, B, C, D, F)</p> |
| <p>If forced to choose between describing us as foxes (crafty creatures that know many things) or hedgehogs (simpler creatures that know one big thing), we would weigh in with the hedgehogs. We keep it simple.</p> | |
| <p>We have a simple, coherent strategic concept that we pursue with relentless consistency.</p> | |
| <p>If we have multiple options for how to accomplish an objective, we almost always pick the simplest option that will work. In other words, at each fork of the road, we tend toward the path of simplicity, rather than complexity.</p> | |

| | |
|--|--|
| <p>The Hedgehog Concept, Part 2: <i>Get your three circles right.</i></p> | <p>Grade: (A, B, C, D, F)</p> |
| <p>Our Hedgehog Concept reflects deep understanding of the three circles: 1) what we can be passionate about, 2) what we can be the best in world at, and 3) what best drives our economic or resource engine.</p> | |
| <p>We understand that nothing great can be accomplished without passion, and we limit our primary arenas of activity to those for which we have great passion.</p> | |
| <p>We know what we can be the best in the world at. While “best in the world” might be local or highly-focused, e.g., “best in the world at breaking the cycle of homelessness in Indiana” or “best in the world at providing financial services to people in Des Moines,” it nonetheless captures what we can do better than any other institution on the planet.</p> | |
| <p>We understand what best drives our economic or resource engine. If we are a for-profit business, we have identified our one economic denominator—profit per X—that has the most significant impact on our economics. If we are a social sector organization, we know how best to improve our total resource engine, so that we can spend less time worrying about money and more time fulfilling our mission.</p> | |

THE HEDGEHOG CONCEPT CONTINUED

| The Hedgehog Concept, Part 3: <i>Act with understanding, not bravado.</i> | Grade: (A, B, C, D, F) |
|--|---------------------------|
| We believe that great results come about by a series of good decisions—actions taken with understanding, not bravado—accumulated one on top of another, in line with our Hedgehog Concept. | |
| We believe that a great organization that sticks to its Hedgehog will, in the words of David Packard, “have indigestion of too much opportunity,” rather than starvation for too little. | |
| We confront the brutal facts of what we can—and equally cannot—become the best in the world at, and we do not allow bravado to obscure the truth. | |

A CULTURE OF DISCIPLINE

A Culture of Discipline has four primary components:

- 1) Focus on your Hedgehog.
- 2) Build a system of freedom and responsibility within a framework.
- 3) Manage the system, not the people.
- 4) Practice extreme commitment.

Grade Range:

A = We exemplify this trait exceptionally well—there is limited room for improvement.

B = We often exemplify this trait, but we also have room for improvement.

C = We show some evidence of this trait, but our record is spotty.

D = There is little evidence that we exemplify this trait, and we have obvious contradictions.

F = We operate almost entirely contrary to this trait.

| Culture of Discipline, Part 1: <i>Focus on your Hedgehog.</i> | Grade: (A, B, C, D, F) |
|---|---------------------------|
| We have the discipline to say “No thank you” to big opportunities that do not fit within our Hedgehog Concept. A “once-in-a-lifetime opportunity” is irrelevant if it is the wrong opportunity. | |
| We never lurch after growth for growth’s sake; we grow consistently within our Hedgehog, period. | |
| We are willing to jettison our core competencies and largest lines of business if we cannot be the best in the world at them. | |
| We make excellent use of “Stop Doing” lists. | |

| Culture of Discipline, Part 2: <i>Build a system of freedom and responsibility within a framework.</i> | Grade: (A, B, C, D, F) |
|--|---------------------------|
| A cornerstone of our culture is the idea of freedom and responsibility within a framework: so long as people stay within the wide bounds of the framework, they have an immense amount of freedom to innovate, achieve and contribute. | |
| People in our system understand that they do not have “jobs”—they have responsibilities—and they grasp the distinction between just doing assigned tasks and taking full responsibility for the results of their efforts. | |
| We can answer the question for each significant activity, “Who is the one person responsible?” | |
| Our culture is a productive blend of dualities, such as: freedom and responsibility, discipline and entrepreneurship, rigor and creativity, financial control and innovative spirit, focused Hedgehog and adaptable. We see no contradictions in cultural duality; we exemplify the “Genius of the And.” | |

| Culture of Discipline, Part 3: <i>Manage the system, not the people.</i> | Grade: (A, B, C, D, F) |
|---|---------------------------|
| We do not spend a lot of time motivating our people; we recruit self-motivated people, and provide an environment that does not de-motivate them. | |
| We do not spend a lot of time disciplining our people; we recruit self-disciplined people, and then manage the system, not the people. | |
| We avoid bureaucracy that imposes unnecessary rules on self-motivated and self-disciplined people; if we have the right people, they don’t need a lot of rules. | |

A CULTURE OF DISCIPLINE CONTINUED

| Culture of Discipline, Part 4: <i>Practice extreme commitment.</i> | Grade: (A, B, C, D, F) |
|--|---------------------------|
| In our culture, people go to extremes to fulfill their commitments and deliver results, bordering at times on fanaticism. | |
| Words like "disciplined," "rigorous," "dogged," "determined," "diligent," "precise," "systematic," "methodical," "workmanlike," "demanding," "consistent," "focused," "accountable," and "responsible" describe us well. | |
| We are equally disciplined in good times as in bad times. We never allow prosperity to make us complacent. | |

THE FLYWHEEL, NOT THE DOOM LOOP

The Flywheel has four primary components:

- 1) Build cumulative momentum.
- 2) Be relentlessly consistent over time.
- 3) Create alignment by results, not hoopla.
- 4) Avoid the Doom Loop.

Grade Range:

A = We exemplify this trait exceptionally well—there is limited room for improvement.

B = We often exemplify this trait, but we also have room for improvement.

C = We show some evidence of this trait, but our record is spotty.

D = There is little evidence that we exemplify this trait, and we have obvious contradictions.

F = We operate almost entirely contrary to this trait.

| The Flywheel, Part 1: <i>Build cumulative momentum.</i> | Grade: (A, B, C, D, F) |
|--|---------------------------|
| We understand that building greatness never happens in one fell swoop—that there is no single defining action, no one killer innovation, no seminal acquisition, no breakthrough technology, no savior on a white horse, no wrenching revolution that can by itself bring about sustained greatness. | |
| We build greatness by a cumulative process—step by step, action by action, day by day, week by week, year by year—turn by turn of the flywheel. | |
| While some pushes on the flywheel are bigger than others, no single push by itself accounts for the majority of our momentum; we understand that it requires hundreds of additional pushes to turn any big decision into a successful decision. | |

| The Flywheel, Part 2: <i>Be relentlessly consistent over time.</i> | Grade: (A, B, C, D, F) |
|---|---------------------------|
| When examining our behavior, one word that comes to mind is consistency—consistency of purpose, consistency of values, consistency of Hedgehog, consistency of high standards, consistency of people, and so forth. | |
| Our success derives from a whole bunch of interlocking pieces that reinforce one another, consistently applied over a long period of time. | |
| We have immense flexibility and we adapt well to change—but always within the context of a coherent Hedgehog Concept. | |

THE FLYWHEEL, NOT THE DOOM LOOP CONTINUED

| The Flywheel, Part 3: <i>Create alignment by results, not hoopla.</i> | Grade: (A, B, C, D, F) |
|--|----------------------------------|
| We tend to undersell ourselves, and then delightfully surprise by blowing people away with our actual results. | |
| We never pump up our reputation with a sales job (“buy into our future”) to compensate for lack of results. | |
| We do not “sell visions” to fire people up or take a programmatic or hoopla-laden approach to alignment. | |
| We understand that when people begin to feel the magic of momentum—when they feel the flywheel increase speed—is when most people line up to throw their shoulders against the wheel and push. | |

| The Flywheel, Part 4: <i>Avoid the Doom Loop.</i> | Grade: (A, B, C, D, F) |
|---|----------------------------------|
| We do not succumb to the lazy, undisciplined search for a single silver bullet solution—be it a new program, a motivational event, a sexy technology, a big acquisition, or a savior CEO. | |
| We do not build from 0 to 100 rotations in the flywheel, then stop, lurch in a new direction, lose our momentum and start anew. We have the discipline to turn the flywheel from 0 to 100, 100 to a thousand, a thousand to a million, a million to a billion turns—and to not go 0 to 100, 0 to 100, 0 to 100, lurching from new program to new program. | |
| If a new technology advances our Hedgehog, we become a pioneer in its application; if a new technology does not fit, we don’t worry too much about it—and we certainly don’t lurch about in fearful frantic reaction. | |
| When we look at the Flywheel versus the Doom Loop side-by-side table on pages 183-184 in chapter 8 of <i>Good to Great</i> , we are characterized much more by the flywheel side of the ledger than the doom loop side. | |

PRESERVE THE CORE / STIMULATE PROGRESS

Preserve the Core/Stimulate Progress has four primary components:

- 1) Articulate a core guiding philosophy—core values and a reason for being that goes beyond just making money.
- 2) Change and improve everything except your core values.
- 3) Create a passionate culture that preserves the core and stimulates progress.
- 4) Achieve BHAGs—big hairy audacious goals.

Grade Range:

A = We exemplify this trait exceptionally well—there is limited room for improvement.

B = We often exemplify this trait, but we also have room for improvement.

C = We show some evidence of this trait, but our record is spotty.

D = There is little evidence that we exemplify this trait, and we have obvious contradictions.

F = We operate almost entirely contrary to this trait.

| Preserve the Core / Stimulate Progress, Part 1: <i>Articulate a core guiding philosophy—core values and a reason for being that goes beyond just making money.</i> | Grade: (A, B, C, D, F) |
|---|---------------------------|
| We have a passionately-held set of core values that we adhere to, no matter how much the world changes around us. | |
| We are honest about what our core values actually are. We don't worry about what outsiders think of our values; they are for internal guidance, not marketing. | |
| If these core values were to become a competitive disadvantage at some point in the future, we would still hold them. | |
| We have an enduring purpose or mission—a reason for being—that that goes beyond just making money. | |

| Preserve the Core / Stimulate Progress, Part 2: <i>Change and improve everything except your core values.</i> | Grade: (A, B, C, D, F) |
|---|---------------------------|
| We practice the "Genius of the And"—continuity and change, values and results, cohesion and autonomy, endurance and urgency, and so forth. | |
| We are clear on the difference between our core values (which should never change) as distinct from our operating practices, cultural norms, goals, strategies, and tactics (which should remain open for change). | |
| While we hold our core values constant, we stimulate progress—change, improvement, innovation, and renewal—in the operating practices, cultural norms, goals, strategies and tactics that surround the core values. | |
| We understand that if our list of core values is too long, we are very likely confusing core values with practices and aspirations; we have no more than six values that we consider to be truly core. | |

PRESERVE THE CORE / STIMULATE PROGRESS CONTINUED

| Preserve the Core / Stimulate Progress, Part 3: <i>Create a passionate culture that preserves the core and stimulates progress.</i> | Grade: (A, B, C, D, F) |
|---|---------------------------|
| We have built a culture that so consistently reinforces our core values that those who do not share the values are ejected like a virus, or they become so uncomfortable that they self-eject. | |
| We promote leaders who live the core values; those who repeatedly breach our values never make it far or last long in our culture. | |
| We are so consistent with our values that if every conversation, every decision, every action were videotaped, people watching the tape would be astounded by our consistency and passion for living to our values. | |
| No matter how much we achieve, we never feel comfortable or feel that we've arrived. We're obsessively focused on our shortcomings—on what we could do better; the term "productively neurotic" describes our culture well. | |

| Preserve the Core / Stimulate Progress, Part 4: <i>Achieve BHAGs—big hairy audacious goals.</i> | Grade: (A, B, C, D, F) |
|---|---------------------------|
| We have a remarkable success rate at achieving our BHAGs (big hairy audacious goals); we rarely fall short of the extreme standards of achievement we set for ourselves. | |
| We understand the difference between a 10-to-25 year BHAG—which is like a huge mountain to climb—and 5-year intermediate objectives, which are like base camps on the way to the top of the mountain. | |
| We have a 10-to-25 year BHAG in place, which we have broken down into base-camp objectives. | |
| Our BHAGs are set with understanding, not bravado—in direct alignment with the three circles of the Hedgehog Concept. | |

CLOCK-BUILDING, NOT TIME TELLING

Clock-building has three primary components:

- 1) Build a system that can be great beyond any single leader or great idea.
- 2) Create catalytic mechanisms.
- 3) Manage for the quarter century.

Grade Range:

A = We exemplify this trait exceptionally well—there is limited room for improvement.

B = We often exemplify this trait, but we also have room for improvement.

C = We show some evidence of this trait, but our record is spotty.

D = There is little evidence that we exemplify this trait, and we have obvious contradictions.

F = We operate almost entirely contrary to this trait.

| Clock-building, Part 1: <i>Build a system that can be great beyond any single leader or great idea.</i> | Grade: (A, B, C, D, F) |
|---|---------------------------|
| Our chief leader is a clock-builder, not just a time teller—he or she is building a system that can prosper beyond his or her presence. | |
| Our chief leader is building a great team of strong individuals, rather than acting as a “genius with 1000 helpers” on whom everything depends. | |
| If any individual leader were to disappear tomorrow, our discipline would remain as strong as ever; we have built a culture of discipline, as distinct from having a larger-than-life disciplinarian at the helm. | |
| We hold our leaders accountable for the success of their successors. | |

| Clock-building, Part 2: <i>Create catalytic mechanisms.</i> | Grade: (A, B, C, D, F) |
|---|---------------------------|
| We have red flag mechanisms that bring brutal facts to our attention, and force us to confront those facts, no matter how uncomfortable. | |
| We set in place powerful mechanisms that stimulate progress—mechanisms designed to force us to continually improve. | |
| Our mechanisms are designed so that people who hold power—and who might want to ignore the brutal facts—cannot easily subvert the mechanisms. | |
| We have a mechanism analogous to “the council” as described in chapter 5 of <i>Good to Great</i> , which plays a key role in guiding our decisions. | |

| Clock-building, Part 3: <i>Manage for the quarter century.</i> | Grade: (A, B, C, D, F) |
|--|---------------------------|
| No matter what short term pressures we face—Wall Street, financial distress, No Child Left Behind, pressure for a winning season—we build for long-term greatness; we manage not for the quarter, but for the quarter century. | |
| Our leaders measure their own success as much by how their organization performs in the hands of a successor as by how it fares during their own personal reign. | |

OUTPUT VARIABLES: HOW GREAT IS YOUR COMPANY?

Grade Range:

A = We exemplify this trait exceptionally well—there is limited room for improvement.

B = We often exemplify this trait, but we also have room for improvement.

C = We show some evidence of this trait, but our record is spotty.

D = There is little evidence that we exemplify this trait, and we have obvious contradictions.

F = We operate almost entirely contrary to this trait.

| | |
|--|----------------------------------|
| Delivers Superior Performance: | Grade: (A, B, C, D, F) |
| In business, performance is defined by financial returns and achievement of corporate purpose. In the social sectors, performance is defined by results and efficiency in delivering on the social mission. | |
| Makes a Distinctive Impact: | Grade: (A, B, C, D, F) |
| The organization makes such a unique contribution to the communities it touches and does its work with such unadulterated excellence that if it were to disappear, it would leave a hole that could not easily be filled by any other institution on the planet. | |
| Achieves Lasting Endurance: | Grade: (A, B, C, D, F) |
| The organization can deliver exceptional results over a long period of time, beyond any single leader, great idea, market cycle, or well-funded program. When hit with setbacks, it bounces back even stronger than before. | |

TREND ANALYSIS

Now, assess the trajectory of your organization on each component, using the following scoring scheme:

- 2: We have declined dramatically on this component in the last three years.
- 1: We have declined gradually on this component in the last three years.
- 0: We have held steady on this component in the last three years.
- +1: We have improved gradually on this component in the last three years.
- +2: We have improved dramatically on this component in the last three years.

INPUT PRINCIPLES

Level 5 Leadership

Trend Score: _____

First Who, Then What

Trend Score: _____

Confront the Brutal Facts

Trend Score: _____

Hedgehog Concept

Trend Score: _____

Culture of Discipline

Trend Score: _____

Flywheel, Not Doom Loop

Trend Score: _____

Preserve the Core / Stimulate Progress

Trend Score: _____

Clock-Building, Not Time Telling

Trend Score: _____

OUTPUT RESULTS

Delivers Exceptional Performance

Trend Score: _____

Makes a Distinctive Impact

Trend Score: _____

Achieves Lasting Endurance

Trend Score: _____